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APPLICATION OF THE CITY OF §
 LUBBOCK THROUGH LUBBOCK §
 POWER AND LIGHT FOR §
 AUTHORITY TO CONNECT A §
 PORTION OF ITS SYSTEM WITH THE §
 ELECTRIC RELIABILITY COUNCIL §
 OF TEXAS §

PUBLIC UTILITY COMMISSION
 PUBLIC UTILITY COMMISSION
 FILING CLERK
 OF TEXAS

ORDER

This Order addresses the application of the City of Lubbock, by and through Lubbock Power & Light (LP&L), for authority to connect a portion of its system with the Electric Reliability Council of Texas (ERCOT). Commission Staff, Office of Public Utility Counsel (OPUC), Texas Industrial Energy Consumers (TIEC), Southwestern Public Service Company (SPS), and Alliance for Retail Markets (ARM) (collectively, the signatories) filed an unopposed agreement in this proceeding. ERCOT, AEP Texas Inc., CPS Energy, Texas Energy Association for Marketers (TEAM), Sharyland Utilities, L.P., Lone Star Transmission, LLC, FGE Power, Wind Energy Transmission Texas, LLC (WETT), Cross Texas Transmission, LLC, Oncor Electric Delivery Company, LLC, Golden Spread Electric Cooperative, and Southwest Power Pool (SPP) are the remaining parties in this proceeding and do not join in the agreement but do not oppose it. LP&L's application, as modified by the agreement and this Order, is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Background

1. LP&L is a municipally-owned electric utility that is currently connected solely to the SPP transmission system.
2. Approximately 470 megawatts of LP&L's load (referenced in this Order as the affected load) is currently served under a wholesale supply contract that expires on June 1, 2019 and will be served under a short-term supply contract that expires June 1, 2021.

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3. On December 9, 2015, LP&L submitted to the ERCOT Regional Planning Group a proposed transmission solution that would integrate the affected load into ERCOT.
4. On February 18, 2016, the Commission initiated Project No. 45633, *Project to Identify Issues Pertaining to Lubbock Power & Light's Proposal to Become Part of the Electric Reliability Council of Texas*, to consider issues relating to LP&L's requested integration of a portion of its load into ERCOT. Interested parties filed comments in that project, and a workshop was held on May 3, 2016.
5. On June 17, 2016, ERCOT filed in Project No. 45633 a study that identified the transmission system improvements needed to integrate the LP&L system into the ERCOT system, entitled *Study of the Integration of the Lubbock Power & Light System into the ERCOT System*. That study identified a preferred transmission integration solution, designated Option 4ow.
6. Option 4ow was identified by ERCOT as its preferred transmission plan for the following reasons:
 - a. Option 4ow meets applicable reliability criteria with a significant margin for future load growth and local generation retirement;
 - b. The additional cost of Option 4ow compared to the lowest cost option is economically justified based on the expected production cost savings;
 - c. Option 4ow has the lowest societal cost when considering both capital and annual system production costs;
 - d. Option 4ow provides the largest increase to the Panhandle export capability;
 - e. Option 4ow aligns with a recent roadmap of future Panhandle upgrades; and
 - f. Option 4ow provides opportunities for future expansion.
7. Option 4ow requires construction of the following new transmission facilities:
 - a. 345-kV Ogallala–Abernathy single-circuit line on double-circuit structures;
 - b. 345-kV Abernathy–North Station single-circuit line on double-circuit structures;
 - c. 345-kV Abernathy–Wadsworth single-circuit line on double-circuit structures;

- d. 345-kV New Oliver–Wadsworth single-circuit line on double-circuit structures;
 - e. 345-kV Grassland–New Oliver single-circuit line on double-circuit structures;
 - f. Two 345/115-kV North Station transformers;
 - g. Two 345/115-kV Wadsworth transformers;
 - h. Two 345/115-kV New Oliver transformers;
 - i. 115-kV New Oliver–Oliver single-circuit line; and
 - j. 115-kV New Oliver–Chalker single-circuit line.
8. On July 19, 2016, former Chairman Donna Nelson filed in Project No. 45633 a memorandum memorializing a Commission discussion at the June 29, 2016 open meeting specifying the issues to be analyzed by ERCOT and SPP in a study requested by the Commission to determine the impact of LP&L’s proposed move into ERCOT.
9. On June 30, 2017, in Project No. 45633, in response to the Commission’s request for an impact study, ERCOT filed a study entitled *ERCOT Coordinated Lubbock Power and Light Integration Impact Analysis*, and SPP filed a study entitled *LP&L Exit Study Comprehensive Analysis*.
10. On July 7, 2017, ERCOT and SPP filed in Project No. 45633 a joint executive summary to describe the differences and similarities between their two impact studies.

Procedural History

11. On September 1, 2017, LP&L filed its application in this docket requesting authority to connect a portion of its electric system with ERCOT. The application included a study conducted by GDS Associates, Inc. and DNV-GL Energy on behalf of LP&L entitled *Lubbock Power & Light Transition to ERCOT Study*.
12. On September 21, 2017, the Commission's administrative law judge in Order No. 4 found LP&L's application in this docket to be sufficient, specified the notice that would be required, and set certain deadlines.
13. ERCOT, SPS, OPUC, SPP, TIEC, ARM, CPS, Oncor, TEAM, Sharyland, AEP, Lone Star, Cross Texas, WETT, FGE Power, and Golden Spread all filed motions to intervene, which were granted.

14. On September 29, 2017, the Commission adopted its preliminary order that listed issues to be addressed in this docket.
15. On September 27 and October 3, 2017, respectively, SPP and ERCOT each filed in this docket its impact study of the proposed integration, which were previously filed on June 30, 2017, in Project No. 45633. The joint executive summary referenced in finding of fact 10 was included as part of SPP's filing.
16. On October 16, 2017, in support of its application, LP&L filed the testimony of David McCalla, Neil Copeland, James Daniel, and Dr. Mandhir Sahni. Dr. Mehriar Tabrizi later adopted Dr. Sahni's testimony in a submittal on November 15, 2017.
17. On October 31, 2017, LP&L provided proof of notice, through an affidavit, attesting that as required by Order No. 4, LP&L provided notice of its application to:
 - a. the owners of the interconnection points identified in Option 4ow;
 - b. retail electric providers, other utilities, cooperatives, municipally-owned utilities, and other affected Texas electric market participants by means of ERCOT and SPP market participant notices;
 - c. any municipalities and county governments within LP&L's service area; and
 - d. LP&L ratepayers served by the portion of LP&L's system that would be transferred to ERCOT.
18. The following intervenors filed direct testimony on November 28, 2017:
 - a. ERCOT filed the direct testimony of Jeffrey Billo, Ted Hailu, and Carrie Bivens;
 - b. SPP filed the direct testimony of Antoine Lucas;
 - c. SPS filed the direct testimony of William A. Grant and Wesley L. Berger;
 - d. OPUC filed the direct testimony of William Starnes;
 - e. ARM filed the direct testimony of Derek M. Mauzy;
 - f. Sharyland filed the direct testimony of William O. Bojorquez; and
 - g. TIEC filed the direct testimony of Charles S. Griffey.

19. On November 28, 2017, Oncor, WETT, FGE Power, and TEAM each filed a statement of position.
20. On December 6, 2017, this case was referred to the State Office of Administrative Hearings (SOAH) for the consideration and resolution of all discovery disputes.
21. Commission Staff filed the direct testimony of John Poole, Alicia Maloy, and Grant Gervais on December 12, 2017.
22. Cross Texas filed a statement of position on December 13, 2017.
23. On December 22, 2017, ERCOT filed the rebuttal testimony of Jeffrey Billo.
24. On January 2, 2018, LP&L filed rebuttal testimony from the following witnesses: David McCalla, Mayor Daniel Pope, Neil Copeland, James Daniel, Dr. Mehriar Tabrizi, and Pat Wood III.
25. On January 2, 2018, SPP filed the cross-rebuttal testimony of Antoine Lucas, and SPS filed the cross-rebuttal testimony of Wesley L. Berger.
26. On January 9, 2018, statements of position were filed by Commission Staff, OPUC, Golden Spread, AEP, Lone Star, and CPS.
27. On January 11, 2018, a prehearing conference was held in which evidence was admitted and various procedural matters were determined.
28. On January 17, 2018, LP&L submitted the supplemental rebuttal testimony of Mayor Daniel Pope, in which LP&L presented two resolutions—one from the City of Lubbock City Council and one from the City of Lubbock Electric Utility Board—indicating the City of Lubbock's intent that LP&L opt-in to retail competition.
29. On January 17, 2018, the Commission convened a hearing on the merits, which was completed on January 18, 2018, to consider the application.
30. On February 8, 2018, an agreement was filed indicating the signatories' settlement and the terms of the agreement. On the same date, parties filed an agreed proposed order for the Commission's consideration.

31. On February 15, 2018, the Commission issued Order No. 14, admitting into evidence a settlement affidavit of William A. Grant and the resolutions of the City of Lubbock City Council and the City of Lubbock Electric Utility Board.

Agreement

32. The signatories agree that the integration of the affected load into ERCOT, consistent with the terms of the agreement, is in the public interest, reasonably holds customers in ERCOT and SPP harmless, and should be approved.
33. Under the agreement, LP&L will be integrated into ERCOT using the transmission plan identified by ERCOT as Option 4ow in its *Study of the Integration of the Lubbock Power & Light System into the ERCOT System*, filed in Project No. 45633 on June 17, 2016.
34. The signatories agree that the integration date for the affected load will be June 1, 2021, or some other date as may be required because either the transmission facilities necessary to integrate the affected load into ERCOT are not operational by June 1, 2021 or any compliance or regulatory requirement is not complete by that date.
35. The signatories also agree that ERCOT may postpone the integration date if ERCOT determines the integration of the affected load into ERCOT will be a risk to the reliability or adequacy of the ERCOT system due to the conditions of the system on the planned integration date.
36. Under the agreement, beginning on the integration date, LP&L will pay a total of \$22 million each year for five years to ERCOT wholesale transmission customers through a monthly credit rider as set out on page 9 in the direct testimony of Commission Staff witness Grant Gervais. Parties agree that this amount reasonably indemnifies customers in the ERCOT region for the expected net impacts of LP&L's transition to ERCOT.
37. The signatories agree that LP&L will submit no later than four months prior to the integration date an application for a tariff to establish the monthly credit rider described in finding of fact 36 and shall apply annually, or more frequently as needed, to update the monthly credit rate to incorporate any changes to the ERCOT 4CP billing units, so as to ensure the payment of the \$22 million each year to wholesale transmission customers.

38. The signatories agree that LP&L will make a one-time payment of \$24 million to SPS on the integration date to indemnify SPS and its customers for LP&L's integration into ERCOT (referenced in this Order as the hold-harmless payment).
39. Under the agreement, SPS will allocate the hold-harmless payment among its retail and wholesale customers based on the 12-CP transmission load-ratio shares for the 12 months ending with the integration date, as adjusted to remove the affected load.
40. Under the agreement, SPS will provide its Texas retail customers in the Residential Service, Small General Service, Secondary General Service, and Small Municipal and School Service classes with their portion of the hold-harmless payment through a bill credit which will be implemented as a rate rider for three months. The signatories agree that SPS will provide its remaining Texas retail customer classes with their portion of the hold-harmless payment through a bill credit implemented as a rate rider for one month.
41. The signatories agree that the hold-harmless payment will be allocated among SPS's retail classes using the most recent transmission-cost-recovery factor baseline class-allocation factor approved by the Commission for SPS at the time SPS files an application for the bill credits discussed in finding of fact 40. The agreement states that the bill credits will be designed for each class consistent with the rate design used for transmission cost recovery for the class (i.e. energy charge credit for non-demand-metered classes, demand charge credit for demand-metered classes).
42. The agreement states that SPS will provide the bill credits beginning on the first day of the fourth full calendar month after the date SPS receives the hold-harmless payment from LP&L. The agreement requires SPS to make the necessary and timely filings with the Commission to request authority to provide the bill credits described in finding of fact 40.
43. Under the agreement, interest will accrue on the unpaid bill credits to the Residential Service, Small General Service, Secondary General Service, and Small Municipal and School Service customer classes at an annual rate of 1.04% beginning on the first day of the fourth full calendar month after the date SPS receives the hold-harmless payment from

- LP&L. No interest will accrue on the unpaid bill credits to SPS's remaining Texas retail customer classes.
44. Under the agreement, SPS will provide its wholesale transmission customers with their allocated amount of the hold-harmless payment by filing a rate schedule at the Federal Energy Regulatory Commission (FERC). The rate schedule filed by SPS will provide for a one-time credit or payment by the end of the fourth full calendar month after the date SPS receives the hold-harmless payment from LP&L. No interest will accrue on the unpaid amount.
 45. The signatories agree that the \$24 million hold-harmless payment reasonably indemnifies SPS's Texas retail customers and wholesale transmission load for the net effect of the integration of the affected load into ERCOT.
 46. SPS agrees that if any party seeks from FERC a make-whole, hold-harmless, or other similar payment relating to the transition of the affected load to ERCOT, SPS will oppose that request. The signatories will not seek from FERC a make-whole, hold-harmless, or other similar payment from LP&L.
 47. Under the agreement, LP&L agrees that it may not disconnect the affected load from ERCOT unless and until LP&L obtains approval from the Commission and complies with any future rule of the Commission that may govern the payment of an exit fee upon an entity seeking approval to depart ERCOT. The signatories further agree that, in the event of a future transfer of the affected load to any other regional transmission authority or independent system operator, ERCOT will make a recommendation to the Commission regarding the portions of the Option 4ow transmission system that should remain in the ERCOT system.
 48. The agreement recognizes that LP&L intends to exercise its right to opt-in to retail competition for the affected load as soon as is practicable, but with a goal of doing so effective upon the integration of the affected load into ERCOT. The agreement acknowledges that once the City of Lubbock City Council adopts the resolution described in section 40.051(b) of the Public Utility Regulatory Act (PURA), that statute mandates that the decision is irrevocable.

49. The agreement requires LP&L to comply with all ERCOT registration and qualification requirements established in the ERCOT nodal protocols and provide ERCOT with any information requested by ERCOT necessary to implement the integration of the affected load into ERCOT. The agreement requires LP&L to comply with all ERCOT protocols, operating guides, or any other ERCOT-promulgated authority, and to comply with the Commission's rules and applicable state law.
50. The agreement recognizes that, because LP&L intends to opt-in to retail competition for the affected load at the earliest practicable date, LP&L does not request the establishment of a non-opt-in-entity load zone. The agreement acknowledges that ERCOT is authorized to determine in which zone the affected load should be placed upon the integration date.
51. LP&L agrees that it will take any action or provide any information reasonably requested by ERCOT to effectuate the transition of the affected load to ERCOT. Exhibit B to the agreement is a preliminary listing of the compliance activities that ERCOT will require in advance of the integration date. The signatories acknowledge that the purpose of this list is not to define or limit the full scope of activities that may be required, but to specify a certain list of preparatory activities that are known at this time. The signatories acknowledge that the required activities may need to be modified as the integration date approaches.
52. The agreement recognizes that, prior to the cutover of transmission facilities necessary to the integration of the affected load into ERCOT, it will be necessary for ERCOT and LP&L to exchange certain information about their respective systems. The signatories agree that, to facilitate this data exchange, LP&L may be treated by ERCOT as a transmission service provider and distribution service provider for purposes of permitting LP&L to amend its standard form market participant agreement with ERCOT. The signatories agree that LP&L will be subject to all applicable requirements in the ERCOT protocols, guides, or other binding documents addressing the confidentiality of any data exchanged with ERCOT.
53. The agreement requires that LP&L will not seek to recover from wholesale transmission customers in ERCOT or from LP&L's retail ratepayers any of its legacy 230-kV facilities that are stranded due to the integration of the affected load into ERCOT.

54. The agreement requires LP&L to pay the cost of the ERCOT integration impact studies conducted by ERCOT and SPP. SPP's study costs are \$172,479; ERCOT's study costs are \$81,562.50. The agreement states that these payments will occur no later than 60 days following the entry of an order that is consistent with the agreement.
55. The agreement requires that, consistent with the recommendation made by Commission Staff witness Grant Gervais on pages 10 and 11 of his direct testimony in this proceeding, LP&L will calculate and provide LP&L's 4CP affected load data for the calendar year before its expected integration date as soon as the data is available but no later than six months prior to the integration date.
56. The agreement states that LP&L may submit an application to the Commission to establish wholesale transmission rates no less than eight months in advance of the anticipated integration date so that LP&L may charge transmission rates beginning at the integration date if the Commission has approved a transmission rate at that time, provided that all assets included in the rate calculation are energized, used, and useful prior to the effective date of the transmission rate. The signatories agree that such an application may include transmission assets that are not used and useful at the time of the application but that will be energized, used, and useful prior to the effective date of the wholesale transmission rates. Other than the term in the preceding sentence, the agreement does not in any way modify the standard requirements for inclusion of costs in or the calculation of wholesale transmission rates.
57. The agreement requires LP&L to complete any and all required registrations with the Texas Reliability Entity (TRE). The signatories support the designation of TRE as the lead reliability entity if multiple reliability entities have authority over LP&L.
58. If FERC sets an exit fee as a precondition to the affected load transitioning into ERCOT, the signatories agree that LP&L will retain the discretion to determine whether it will pay such a fee or decline to complete the transition of the affected load to ERCOT. If LP&L decides to not complete the transfer of the affected load to ERCOT, the agreement requires LP&L to pay the relevant transmission service providers their reasonable and substantiated costs expended to date in preparing for the construction of Option 4ow transmission facilities, with the exception of any transmission infrastructure that the Commission

determines would be used and useful to the provision of electric service in the absence of the affected load transferring to ERCOT.

59. The agreement bars LP&L from taking any action that would cause ERCOT or a market participant within the ERCOT region that is not a public utility under the Federal Power Act to become a public utility under the Federal Power Act or become subject to the plenary jurisdiction of FERC.
60. The agreement requires LP&L to ensure that no commingling of energy between the SPP and ERCOT systems occurs during the period leading up to the integration date, during the physical disconnection of the affected load from SPP and interconnection of the affected load to ERCOT, and at all times thereafter.
61. Through the agreement, the signatories request that a Commission project be initiated in which LP&L, ERCOT, and any other party can provide updates on the LP&L integration process or raise issues arising from that process.
62. The signatories agree that the terms of the agreement are fair, reasonable, and in the public interest. The signatories also agree to support the prompt adoption of the final order in this docket consistent with the agreement and to defend the terms of the agreement.

Commission Findings

63. The integration into ERCOT of the affected load and that part of LP&L's electric system that serves the affected load, under the terms of the agreement as modified by this Order, is reasonable and in the public interest.
64. The transmission plan identified by ERCOT as Option 4ow in its *Study of the Integration of the Lubbock Power & Light System into the ERCOT System*, filed in Project No. 45633 on June 17, 2016, is a reasonable plan for integrating the affected load into ERCOT.
65. June 1, 2021, is a reasonable integration date unless either the transmission facilities necessary to integrate the affected load into ERCOT are not operational by June 1, 2021 or any compliance or regulatory requirement is not complete by that date. In either scenario, the agreement does not discuss how to determine a new integration date. It is appropriate for either scenario that ERCOT determine a new integration date and provide notice of the new integration date to LP&L, SPS, SPP, and the Commission.

66. It is reasonable for ERCOT to make such a determination no later than 30 days after LP&L or Sharyland, as appropriate, notifies ERCOT that all necessary facilities are not operational or that all compliance and regulatory requirements are not completed. Further, it is appropriate in case of disagreement for the issue of the new integration date to be brought to the Commission for resolution.
67. It is reasonable for ERCOT to have the discretion to postpone the date of integration if ERCOT determines the integration of the affected load into ERCOT will be a risk to the reliability or adequacy of the ERCOT system due to the conditions of the system on the planned integration date.
68. The agreement does not discuss whether ERCOT should provide notice to the other parties to this proceeding if ERCOT determines it is necessary to delay the implementation date due to the reliability or adequacy needs of the ERCOT system. It is appropriate for ERCOT to provide notice to SPS, LP&L, SPP, and the Commission if a delay in the integration date is necessary and for ERCOT to request that a new integration date be determined by the Commission. It is reasonable for ERCOT to make such a request within 30 days after it determines that all reliability and adequacy issues have not been resolved.
69. It is also reasonable, if applicable, that ERCOT report to LP&L, SPS, SPP, and the Commission on the first of each month after June 2021 that reliability and adequacy needs of the ERCOT system preclude ERCOT from establishing a new integration date.
70. The payment by LP&L of \$22 million each year for five years to ERCOT wholesale transmission customers reasonably indemnifies customers in the ERCOT region for the expected net impacts of the affected load's transition into ERCOT.
71. The payment by LP&L of \$24 million to SPS reasonably indemnifies SPS's Texas retail customers and wholesale transmission load for the net effect of the integration of the affected load into ERCOT.
72. In the event of a future transfer of LP&L's load out of the ERCOT system, it is appropriate for ERCOT to make a recommendation, subject to Commission approval, regarding which portions of the transmission facilities built pursuant to this integration shall remain in the ERCOT region. It is appropriate that, before LP&L disconnects the affected load from

ERCOT, LP&L obtain approval from the Commission and comply with any future rule of the Commission.

73. Sharyland and LP&L are the only utilities that own the endpoints included in Option 4ow, and therefore it is appropriate that LP&L and Sharyland provide the Option 4ow transmission facilities. It is appropriate for Sharyland and LP&L to determine between themselves the portions of the Option 4ow facilities that each will build and to notify ERCOT and the Commission of the agreement. If agreement is not reached by January 1, 2019, Sharyland and LP&L shall file a petition at the Commission by February 1, 2019 to resolve the issue.
74. ERCOT will require that LP&L take certain actions and provide it with certain information in order to effectuate the integration of the LP&L system into the ERCOT system. Any such actions or provision of information is necessary to ensure that ERCOT system reliability is maintained and that the Commission's jurisdiction over ERCOT and its market participants is protected during the course of integration.
75. It is reasonable and necessary for LP&L to provide all information and take all actions ERCOT deems necessary to facilitate the integration, including but not limited to the information and actions specified in findings of fact 51 and 52.
76. It is appropriate for ERCOT to determine the ERCOT load zone that LP&L's load will be placed within upon integration.
77. It is appropriate for ERCOT to amend LP&L's standard form market participant agreement to add the designations for transmission service provider and distribution service provider prior to the integration date to facilitate the exchange of confidential information between LP&L and ERCOT.
78. It is reasonable and necessary for LP&L to comply with all requirements set forth in ERCOT protocols, operating guides, and any other ERCOT documents that ERCOT deems necessary to implement the integration of the LP&L system into the ERCOT system, regardless of whether LP&L is formally registered with ERCOT as a market participant.

79. It is inappropriate for LP&L to seek to recover from wholesale transmission customers in ERCOT or from LP&L's retail ratepayers any of its legacy 230-kV facilities that are stranded due to the integration of the affected load into ERCOT.
80. LP&L owns two gas-fired steam electric generating units at its Cooke station. It is reasonable to require LP&L to receive the preapproval of the ERCOT Board of Directors before it converts those generating units into synchronous condensers or seeks recovery of such a conversion.
81. It is reasonable for LP&L to pay \$81,562.50 to ERCOT and \$172,479 to SPP for their costs in completing the Commission-requested integration impact studies.
82. It is reasonable and necessary for LP&L to calculate and provide to ERCOT and the Commission LP&L's 4CP data for the affected load for the calendar year before its expected integration date as soon as the data is available but no later than six months prior to the integration date.
83. It is reasonable and necessary for LP&L to complete any and all required registrations with the TRE.
84. In the event that FERC sets as a precondition to the affected load transitioning into ERCOT an exit fee or other payment that differs from the amount of the hold-harmless payments identified in findings of fact 36 and 38, it is reasonable for LP&L to retain the discretion to determine whether it will pay such a fee or payment or decline to complete the transition of the affected load to ERCOT. It is appropriate for LP&L to provide notice to the Commission of such decision by providing a copy of the order issued by FERC within 10 days of the issuance of the order and to provide a copy of any motion for rehearing or notice of appeal related to such order contemporaneous with its filing.
85. If LP&L decides to not complete the transfer, it is appropriate for LP&L to provide notice to ERCOT, Sharyland, SPS, SPP, and the Commission within 30 days of such decision and to pay Sharyland its reasonable and substantiated costs incurred to date in preparing for the construction of Option 4ow transmission facilities, with the exception of any transmission infrastructure that the Commission determines would be used and useful to the provision of electric service in the absence of the affected load transferring to ERCOT.

86. It is reasonable and necessary to require that LP&L take no action that would cause ERCOT or a market participant within the ERCOT region that is not a public utility under the Federal Power Act to become a public utility under the Federal Power Act or become subject to the plenary jurisdiction of FERC. It is necessary to require that LP&L ensure that no commingling of energy between the SPP and ERCOT systems occurs during the period leading up to the integration date, during the physical disconnection of the affected load from SPP and interconnection of the affected load to ERCOT, and at all times thereafter.

II. Conclusions of Law

1. As a municipally owned electric utility, LP&L is an electric utility under PURA § 35.001.
2. The Commission has jurisdiction over this matter under PURA § 35.004(d), addressing the pricing of transmission service; PURA § 39.151(d), relating to the Commission's plenary authority over the operations of ERCOT; and PURA § 14.001, relating to the Commission's general powers.
3. As the designated independent organization under PURA § 39.151(a), ERCOT has the authority to take those actions necessary to ensure the reliability and adequacy of the ERCOT system in the course of effectuating the integration.
4. SOAH exercised jurisdiction over this docket for purposes of discovery pursuant to PURA § 14.053 and Texas Government Code Annotated § 2003.049.¹
5. LP&L provided sufficient notice of this proceeding.
6. This docket was processed in accordance with the requirements of PURA, the Administrative Procedure Act, and the Commission's rules.
7. The requirements for informal disposition under 16 Texas Administrative Code (TAC) § 22.35 have been met in this case.
8. Any decision made by ERCOT under this Order is subject to appeal to the Commission as provided in 16 TAC § 22.251.

¹ Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2003.001–.914 (West 2016 & Supp. 2017).

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law and as conditions for granting LP&L's application, the Commission issues the following orders:

1. LP&L's application, as modified by the agreement and this Order, is approved.
2. LP&L is authorized to integrate the affected load into the ERCOT system using the transmission plan identified by ERCOT as Option 4ow in its *Study of the Integration of the Lubbock Power & Light System into the ERCOT System*, filed in Project No. 45633 on June 17, 2016.
3. The date of integration of the affected load into ERCOT shall be June 1, 2021, unless either the transmission facilities necessary to integrate the affected load into ERCOT are not operational by June 1, 2021 or any compliance or regulatory requirement is not complete by that date. In either event, in accordance with findings of fact 65 and 66, ERCOT shall specify a new integration date and provide notice of the new integration date to LP&L, SPS, SPP, and the Commission in Project No. 48113, as referenced in ordering paragraph 21.
4. ERCOT shall have the discretion to postpone the date of integration if ERCOT determines the integration of the affected load into ERCOT will be a risk to the reliability or adequacy of the ERCOT system due to the conditions of the system on the planned integration date.
5. In the event that ERCOT determines it is necessary to delay the integration date due to the reliability or adequacy needs of the ERCOT system, in accordance with findings of fact 67 through 69, ERCOT shall provide notice to LP&L, SPS, SPP, and the Commission in Project No. 48113, as referenced in ordering paragraph 21. In its filing in Project No. 48113, ERCOT shall request that a new integration date be determined by the Commission.
6. If LP&L chooses to integrate its affected load into ERCOT, LP&L shall pay a total of \$22 million each year for five years to ERCOT wholesale transmission customers as agreed to by the signatories and described in findings of fact 36 and 37. LP&L shall submit an initial application to establish the wholesale transmission credit rider no later than four months prior to the integration date. LP&L shall apply annually, or more frequently as needed, to

update its wholesale transmission credit rate to incorporate any changes to the ERCOT 4CP billing units.

7. If LP&L chooses to integrate its affected load into ERCOT, LP&L shall make a one-time hold-harmless payment of \$24 million to SPS on the integration date. SPS shall distribute the portion of the payment allocated to its Texas retail customers as agreed to by the signatories and described in findings of fact 39 through 43. SPS shall make the necessary and timely filings with the Commission to request authority to provide the bill credits described in finding of fact 40.
8. In the event of a future transfer of LP&L's load out of the ERCOT system, subject to Commission approval, ERCOT shall make a recommendation regarding the portions of the transmission facilities built pursuant to this integration that shall remain in the ERCOT region. LP&L may not disconnect the affected load from ERCOT unless and until LP&L obtains approval from the Commission and complies with any future rule of the Commission.
9. The Commission designates Sharyland and LP&L as the entities that shall provide the Option 4ow transmission facilities. Sharyland and LP&L shall coordinate to determine the facilities each utility will build and shall notify ERCOT and the Commission of the agreement. If disagreement arises during the coordination, Sharyland and LP&L shall seek a determination from the Commission to resolve the disagreement in accordance with finding of fact 73.
10. The integration of LP&L's system into the ERCOT system shall not occur unless and until LP&L has provided all information and taken all actions ERCOT deems necessary to facilitate the integration, including but not limited to the information and actions specified in findings of fact 52 and 53.
11. ERCOT shall determine the ERCOT load zone that LP&L's load will be placed within upon integration.
12. ERCOT is authorized to amend LP&L's standard form market participant agreement to add the designations for transmission service provider and distribution service provider

prior to the integration date to facilitate the exchange of confidential information between LP&L and ERCOT.

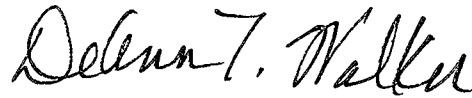
13. Regardless of whether LP&L is formally registered with ERCOT as a market participant, LP&L shall comply with all requirements set forth in ERCOT protocols, operating guides, and any other ERCOT documents that ERCOT deems necessary to implement the integration of the LP&L system into the ERCOT system.
14. LP&L may not seek to recover from wholesale transmission customers in ERCOT or from LP&L's retail ratepayers any of its legacy 230-kV facilities that are stranded due to the integration of the affected load into ERCOT.
15. LP&L may not convert its gas-fired steam electric generating units located at the Cooke station into synchronous condensers or seek recovery of such a conversion unless and until it receives preapproval to do so from the ERCOT Board of Directors.
16. LP&L shall pay \$81,562.50 to ERCOT and \$172,479 to SPP for their costs in completing the Commission-requested integration impact studies. These payments shall occur no later than 60 days following the date of this Order. LP&L shall provide notice to the Commission of such payments to ERCOT and SPP in the separate Commission project referenced in ordering paragraph 21.
17. LP&L shall calculate and provide to ERCOT and the Commission LP&L's 4CP data for the affected load for the calendar year before its expected integration date as soon as the data is available but no later than six months prior to the integration date.
18. LP&L shall complete any and all required registrations with the TRE.
19. In the event that FERC sets an exit fee or other payment that differs from the hold-harmless amounts listed in the agreement as a precondition to the affected load transitioning into ERCOT, LP&L shall retain the discretion to determine whether it will pay such a fee or payment or decline to complete the transition of the affected load to ERCOT. If LP&L decides not to complete the transfer, in accordance with findings of fact 84 and 85, LP&L shall provide notice to ERCOT, Sharyland, SPS, SPP, and the Commission by making a filing in Project No. 48113, as referenced in ordering paragraph 21, and LP&L shall pay Sharyland its reasonable and substantiated costs incurred to date in preparing for the

construction of Option 4ow transmission facilities, with the exception of any transmission infrastructure that the Commission determines would be used and useful to the provision of electric service in the absence of the affected load transferring to ERCOT.

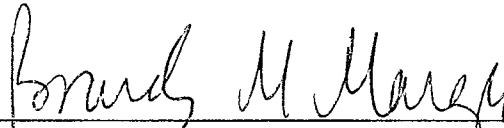
20. LP&L shall take no action that would cause ERCOT or a market participant within the ERCOT region that is not a public utility under the Federal Power Act to become a public utility under the Federal Power Act or become subject to the plenary jurisdiction of FERC. LP&L shall ensure that no commingling of energy between the SPP and ERCOT systems occurs during the period leading up to the integration date, during the physical disconnection of the affected load from SPP and interconnection of the affected load to ERCOT, and at all times thereafter.
21. A separate project has been opened to monitor LP&L's transition to ERCOT, Project No. 48113, *Project to Monitor Lubbock Power & Light's Transition to ERCOT*. LP&L and ERCOT shall on at least a quarterly basis and any other party may at any time provide updates or raise issues in Project No. 48113 regarding the LP&L integration process.
22. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement. Entry of this Order shall not be regarded as a binding holding or precedent as to the appropriateness of any principle or methodology underlying the agreement.
23. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other request for general or specific relief, if not expressly granted herein, are denied.

Signed at Austin, Texas the 15th day of March 2018.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



BRANDY MARTY MARQUEZ, COMMISSIONER



ARTHUR C. D'ANDREA, COMMISSIONER

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